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May 2, 2002

Electronic Filing  
Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> St., SW, Room TWB-204  
Washington, DC 20554

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MAY - 3 2002

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: FCC Seeks Comment On AT&T Request to Contribute to Universal Service Based on Projected Revenues, CC Docket No. 96-45, DA No. 02-376

Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket 98-171; Telecommunications Services for Individuals with Hearing Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Number Resource Optimization, CC Docket No. 99-200; Telephone Number Portability, CC Docket No. 95-116; and Truth-in-Billing and Billing Format, CC Docket No. 98-170

In the Matter of BellSouth Tariff FCC No. 1, Transmittal Nos. 623 & 629, WCB/PPD No. 02-08

Dear Ms. Dortch:

On Tuesday, April 30, 2002, Joel Lubin and I met with Matt Brill, Legal Advisor to Commissioner Kathleen Abernathy. During the course of that meeting, we stressed the need for the Commission to grant AT&T's request to, on an interim basis, contribute to universal service

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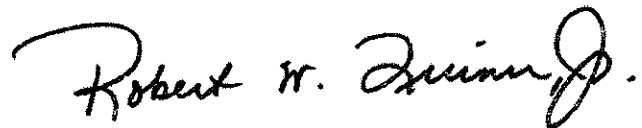
based on projected revenues as a first step towards reforming the universal service assessment and collection mechanism. We highlighted the fact that the current assessment mechanism (which assesses AT&T, and consequently AT&T's customers, based on six-month old revenue data) results in AT&T's customers bearing a disproportionately higher share of the universal service contribution in the long distance marketplace. That fact is reflected in the current AT&T collection rate of 11.5% versus other carriers in the marketplace whose collection rates are significantly lower due solely to the fact that their interstate revenues are increasing. We reiterated that the current assessment mechanism, which bases assessment on (six-month old) interstate revenues, is irretrievably broken. AT&T's waiver would represent a first step at addressing the current inequitable mechanism, but that it should be only a first step.

We stressed the need for the Commission to also permanently fix the universal service contribution mechanism by adopting a per connection assessment methodology consistent with AT&T's and other carrier's comments as soon as possible for implementation on January 1, 2003. The attached timeline was distributed and discussed during the meeting.

In addition, we also reiterated AT&T's opposition to BellSouth's identified thousand block number pooling costs as reflected in the aforementioned dockets and requested that those tariffs be suspended for a five month investigation. We raised two specific grounds. First, that it was discriminatory, anti-competitive and constituted a prohibited subsidy to permit BellSouth or any other carrier to collect those costs in a switched access rate element. Second, we also stated that the BellSouth costs identified were overstated and did not reflect the "direct" costs of implementing thousand block number pooling that would not have occurred "but for" the commission's order.

The positions expressed by AT&T were consistent with those contained in the Comments and ex parte filings previously made in the aforementioned dockets. One electronic copy of this Notice is being submitted for each of the referenced proceedings in accordance with the Commission's rules.

Very truly yours,

A handwritten signature in black ink, reading "Robert W. Quinn Jr." with a stylized flourish at the end.

Enclosure

cc: Matt Brill

**OPERATIONALIZING AT&T's WAIVER REQUEST**  
**Effective July 1, 2002 for 3<sup>rd</sup> Quarter with 4<sup>th</sup> Quarter Implementation of CoSUS Proposal**

- AT&T files projections of revenues for the 3rd Quarter of 2002 with USAC (Prospective 499Q) – 5/21/02
- FCC grants AT&T waiver by May 23, 2002
- USAC calculates the revenue assessment rate for the 3rd Quarter of 2002 by dividing the projected USF funding requirements by the revenue base adjusted to remove AT&T historical revenues and replace with AT&T projected revenues for the 3rd Quarter of 2002 – May 23, 2002.
- USAC bills respective Carriers based on their submissions according to the current billing schedule – July 15, August 15, and September 15
- All carriers remit contributions according to current payment schedule – August 15, September 15, and October 15
- FCC Issues Order and FNPRM regarding CoSUS Proposal – September 15, 2002

**OPERATIONALIZING AT&T's WAIVER REQUEST**  
**Effective July 1, 2002 for 3<sup>rd</sup> Quarter with 4<sup>th</sup> Quarter Implementation of CoSUS Proposal**  
**(cont'd)**

- FCC issues a public notice containing all the initial assessment rates of CoSUS Proposal to be effective 4th Quarter<sup>1</sup>—  
September 30 2002
  - Residence wireless and wireline, Single line business, and Wireless business customers would be assigned an assessment rate of \$1 per month per line/number
  - Lifeline customers would be assigned \$0
  - Pagers would be assigned \$0.25 per number per month
  - Special Access and Private Line services would be assessed at 3<sup>rd</sup> Quarter revenue-based assessment rate
  - The switched Multiline business rate would be calculated as a residual by taking USAC's projected size of the federal USF funding requirement for the 4<sup>th</sup> Quarter, increase that estimate by a factor to create a reserve against the initial USF assessments not collected and remitted by the contributors,<sup>2</sup> subtracting the estimated revenues to be collected from residential and single line business, non-paging CMRS, paging and special access/private line, and dividing by the administrative estimate of switched Multiline business lines.
- Carriers contribute to USF based on a collect and remit basis –November 30<sup>th</sup>, December 30<sup>th</sup>, January 30<sup>th</sup>
  - Carriers apply USF to monthly billings for October, November, and December
  - Carriers remit USF receipts to USAC on November 30<sup>th</sup>, December 30<sup>th</sup>, and January 30<sup>th</sup>
- Continue quarterly until implementation of Post-transition phase of CoSUS Proposal

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<sup>1</sup> For the 4th Quarter, the estimates for line counts and revenues for all customer classifications would be based on the Commission's analyses of various sources. The proposed Form 499-M is not expected to be available for setting the initial assessment rates.

<sup>2</sup> This would replace the existing reserve for amounts uncollectible from contributors. It would be prudent for the Commission to establish a small reserve to cover the initial adjustments for uncollectibles under collect and remit.

**OPERATIONALIZING AT&T's WAIVER REQUEST**  
**Effective July 1, 2002 for 3<sup>rd</sup> Quarter with 4<sup>th</sup> Quarter Implementation of CoSUS Proposal**  
**(cont'd)**

- True-up Mechanism<sup>3</sup> - Applied in 1st Quarter 2003
  - USAC compares AT&T projected revenues for 3rd Quarter 2002 with actual revenue from November 1<sup>st</sup> Form 499-Q<sup>4</sup>
  - USAC calculates the AT&T (plus/minus) adjustment to the 3rd Quarter assessment based on the difference between the projected revenue base and actual revenue base.
  - USAC applies the AT&T adjustment as an increment to the 1st Quarter 2003 USF funding requirement<sup>5</sup>
  - USAC settles with AT&T based on the difference between their projected revenues for the 1<sup>st</sup> Quarter and their actual revenues from their May 1<sup>st</sup> Form 499-Q.

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<sup>3</sup> True-ups are applicable to any quarter for which usf assessments are based on carrier projected data. Adjustments are made to the usf assessments for the second quarter following the quarter that is based on projected data, i.e., the 3rd Quarter 2002 assessments are "trued-up" in the 1st Quarter 2003.

<sup>4</sup> AT&T will submit a 499-Q which reflects the 3rd Quarter actual revenues in addition to the 499-Q based upon connections.

<sup>5</sup> If AT&T actual revenues for the 3rd Quarter exceeded the projections, then the 1st Quarter 2003 USF funding requirement can be lowered as the difference will be made up by USAC settlements with AT&T. If the projections for the 3rd Quarter exceeded AT&T's actual revenues, then the 1st Quarter 2003 USF funding requirement must be raised to reimburse AT&T, who overpaid in the 3rd Quarter.